

Department of Insurance

JLBC: Steve Grunig
OSPB: Tracie Andreasson

Subcommittee: Education

DESCRIPTION	FY 2002 ACTUAL	FY 2003 ESTIMATE	FY 2004	
			OSPB	JLBC
PROGRAM BUDGET				
Department of Insurance	5,369,900	5,590,200	5,659,600	5,688,800
Managed Care and Dental Plan Oversight SLI	466,500	504,200	505,400	517,000
AGENCY TOTAL	5,836,400	6,094,400	6,165,000	6,205,800

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	102.5	114.9	102.5	114.9
Personal Services	3,448,100	3,682,800	3,682,800	3,682,800
Employee Related Expenditures	816,900	827,800	844,500	882,300
Professional and Outside Services	117,800	116,100	116,600	116,600
Travel - In State	43,700	43,700	43,700	43,700
Travel - Out of State	11,700	14,700	14,700	14,700
Other Operating Expenditures	868,600	905,100	957,300	948,700
Equipment	63,100	0	0	0
OPERATING SUBTOTAL	5,369,900	5,590,200	5,659,600	5,688,800
Special Line Items (SLI)	466,500	504,200	505,400	517,000
AGENCY TOTAL	5,836,400	6,094,400	6,165,000	6,205,800

FUND SOURCES

General Fund	5,836,400	6,094,400	6,165,000	6,205,800
SUBTOTAL - Appropriated Funds	5,836,400	6,094,400	6,165,000	6,205,800
Other Non-Appropriated Funds	8,877,500	9,842,100	NA	21,474,100
TOTAL - ALL SOURCES	14,713,900	15,936,500	NA	27,679,900

CHANGE IN FUNDING SUMMARY

	FY 2003 to FY 2004 JLBC	
	\$ Change	% Change
General Fund	111,400	1.8%

AGENCY DESCRIPTION — The department regulates the insurance industry. The department's major duties include solvency regulation, collection and audit of insurance premium taxes, agent licensing, company certification, consumer assistance, complaint resolution, rate and policy form regulation, and administration of companies in receivership. The department collects various filing and licensing fees, which are deposited to the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

PERFORMANCE MEASURES	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Recommend.
• Average calendar days to complete a consumer complaint investigation	90	64.3	90	64
• Number of new domestic company receiverships	0	0	0	--
• Average days required to complete fraud investigations	100	278	100	100
• % of survey licensees respondents indicating "satisfied" or "better"	85	88.2	85	88
• % of consumer services survey respondents indicating "satisfied" or "better"	88	73.4	88	80
• Average days to issue license after receiving all required information from applicant	31.4	16.1	31.4	16

PERFORMANCE MEASURES (Continued)	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Recommend.
• Maximum number of days for approval of new products	60	NA	60	--
• Maximum number of days for approval of new rates	60	NA	60	--
• % of agency staff turnover	15.1	10.5	15.1	15.0
Administration as a % of total cost	22.3	4.9	22.1	4.9

Comment: The agency did not submit information for any measure labeled as "NA". The Department of Insurance no longer collects information on days for approval of new products or approval of new rates.

RECOMMENDED CHANGES FROM FY 2003

JLBC RECOMMENDED FORMAT — Detailed Line Item by Agency *(In the FY 2003 budget, the department had a Lump Sum by Agency with Special Line Items format.)*

Standard Changes **GF** **FY 2004**
\$110,900

Legal Services Cost

Allocation **GF** **500**

The JLBC recommends a General Fund increase to cover higher Attorney General legal services due to the cost allocation of the Attorney General's Risk Management charge to client agencies.

* * *

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Assessments (IDA2316/A.R.S. § 20-2351)	Non-Appropriated	
Source of Revenue: Assessments paid by insurance companies authorized to sell liability insurance or as reinsuring carriers.		
Purpose of Fund: To contract to ensure that liability insurance coverage is readily available and, if necessary, form insurance plans to provide liability insurance to classes of risk that are entitled to but unable to obtain liability coverage. Monies also are used to cover the department's related administrative costs. In addition, monies are used to employ and contract with persons to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	230,600	0
Year-End Fund Balance	135,300	0
Assessments Fund For Voluntary Plans (IDA9500/A.R.S. § 20-2201)	Non-Appropriated	
Source of Revenue: Assessments paid by insurance companies authorized to sell liability insurance or as reinsuring carriers. After December 31, 2002, all monies remaining in the Assessments Fund (IDA2316) are transferred to this fund.		
Purpose of Fund: To contract to ensure that liability insurance coverage is readily available and, if necessary, form insurance plans to provide liability insurance to classes of risk that are entitled to but unable to obtain liability coverage. Monies also are used to cover the department's related administrative costs. In addition, monies are used to employ and contract with persons to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	0	209,600
Year-End Fund Balance	0	42,300
Financial Surveillance (IDA2473/A.R.S. § 20-156)	Non-Appropriated	
Source of Revenue: Assessments on domestic insurers, other than life and disability reinsurers, service companies and mechanical reimbursement.		
Purpose of Fund: To pay for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	218,900	310,700
Year-End Fund Balance	112,600	121,900

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Health Care Appeals (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 per health insurance company and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start up and on-going costs related to selecting an independent review organization to conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	117,200	116,500
Year-End Fund Balance	212,700	196,200
Insurance Examiners' Revolving (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To pay contract examiners' per diem compensation and to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance. Monies also are used to cover the department's related administrative costs.		
Funds Expended	7,425,700	7,964,400
Year-End Fund Balance	1,345,400	881,000
Life and Disability Insurance Guaranty (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies, and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To pay the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	349,000	544,600
Year-End Fund Balance	15,783,000	17,219,400
Arizona Property and Casualty Insurance Guaranty (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance, and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To pay the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	457,400	585,300
Year-End Fund Balance	19,981,000	23,340,700
Receivership Liquidation (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: This fund supports the department's Receivership Division, which administers the liquidation of insurance companies to insure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	78,700	111,000
Year-End Fund Balance *	(18,300)	0

* As reported by the agency. Actual ending balance will not be negative.

[Click here to return to the Table of Contents](#)